

PROGRAM DESCRIPTION

The Clean Water Fund Program (CWFP), one of three subsidized loan programs included in the State of Wisconsin Environmental Improvement Fund (EIF), provides funding for wastewater and urban runoff projects. The CWFP includes 2 subprograms: Hardship assistance is available to municipalities that meet certain financial criteria; the Small Loan program provides an interest rate subsidy on wastewater project loans obtained from the State Trust Fund.

ELIGIBLE LOAN RECIPIENTS

Any city, town, village, county, town sanitary district, public inland lake protection and rehabilitation district, metropolitan sewerage district, or federally recognized American Indian tribe or band in this state is eligible to receive a loan from the CWFP.

ELIGIBLE PROJECTS

Any wastewater project that is necessary to stay in compliance with a Wisconsin Pollutant Discharge Elimination System (WPDES) permit, is necessary to meet new permit requirements, is necessary to correct violations of a WPDES permit, or is necessary to eliminate groundwater or surface water pollution or threats to public health in unsewered areas is eligible for a CWFP loan. The loan can be used to finance a proposed project or for refinancing interim project debt. The scope of a project is described in the wastewater facility plan that must be approved by the DNR Bureau of Watershed Management.

INTEREST RATES

The EIF periodically sells revenue bonds to raise funds to make CWFP loans. The interest rate on these bonds is used to establish the EIF's "Market Rate" which in turn is used to establish the interest rate charged on EIF loans to municipalities. Loans for CWFP projects typically carry interest rates between 55% and 100% of the Market Rate, depending on the type of project and on some of the design components of the project. Loans to maintain compliance with a WPDES permit, or to meet new permit requirements are eligible for an interest rate of 55% of the Market Rate. Loans to sewer previously unsewered areas are eligible for an interest rate of 70% of the Market Rate. Loans to correct violations of a WPDES permit are eligible for a Market Rate loan. Portions of a project may be eligible for different interest rates in which case the CWFP will calculate a blended interest rate for the project.

ELIGIBLE COSTS

In general, costs directly related to the planning, design, and construction of an eligible project are eligible costs. Construction costs must be part of the loan request in order for planning and design costs to be eligible for CWFP funding.

CWFP LOAN ADVANTAGES

A CWFP loan...

- provides a subsidized fixed interest rate for up to a 20-year loan term;
- provides model bond documents to minimize legal expenses;

- requires less disclosure type information than is required for a publicly issued municipal bond;
- has less issuance costs than would be required for a publicly issued municipal bond, such as no: Official Statement preparation or printing; bond reserve required; underwriter's discount; bond rating; bond insurance; time & travel to a bond closing meeting.

LOAN REQUIREMENTS

A municipality must...

- have a facility plan and plans & specifications for the project approved by the DNR Bureau of Watershed Management;
- pledge revenues from the user charge system, property tax revenues, special assessments, or a combination of these sources for CWFP loan payments;
- meet the loan underwriting standards of the Department of Administration;
- have an intermunicipal agreement when 2 or more municipalities discharge to or through the same treatment works;
- adopt a fair and equitable user charge system and sewer use ordinance which must generate enough revenues to pay for the operation, maintenance, replacement fund, and debt service for the treatment works;
- along with its contractors, comply with minority- and women-owned business utilization requirements;
- have legal title to the land necessary for the project;

- adopt a resolution awarding the construction contract.

APPLYING FOR A LOAN

A municipality must submit an Intent to Apply (ITA) form and a priority evaluation and ranking form (PERF) to the CWFP no later than December 31 prior to the year it would like to receive a loan. The PERF scores projects to rank them in environmental priority order. If available funding is less than the total project funds requested, the CWFP will fund projects according to the project priority scores.

A municipality can submit a loan application anytime after its ITA and PERF is submitted. However, the CWFP can close loans only during the 12 month period starting July 1 of the calendar year after an ITA and PERF is submitted. If the municipality's project is delayed, a new ITA can be submitted for the same project.

LOAN PAYMENTS AND REPAYMENTS

On the loan closing day, the CWFP will wire transfer the first loan disbursement to the municipality. Thereafter, the municipality may request loan disbursements at anytime, but the CWFP only wires disbursements on the 2nd and 4th Wednesday of each month. CWFP loan proceeds may be used to reimburse expenses already paid (subject to IRS regulations), or to pay current invoices.

Interest on the loan starts accruing from the date of each loan disbursement. Interest on the loan is payable each May 1st and November 1st starting with the first May 1st or November 1st following the loan closing. Principal payments are scheduled to begin the May 1st following the substantial

completion date of the project. The final loan repayment schedule depends on the amount actually drawn for the project and the actual dates that the money is drawn.

GETTING THROUGH THE PROCESS

For a trouble-free loan process, the CWFP recommends that a municipality...

- pass a reimbursement resolution early in the project period;
- retain an experienced bond counsel;
- submit a complete loan application package to DNR;
- correctly segregate project costs not eligible for CWFP funding, costs not eligible for a subsidized interest rate, and costs funded by another funding source;
- review the affordability of the project by determining the estimated annual sewer cost that will be paid by the typical household;
- contact their DNR project manager to discuss their financing needs.

FOR MORE INFORMATION

Contact us at the phone number below or visit our website at:

<http://www.dnr.state.wi.us/org/caer/cfa/EL/elindex.html>

This brochure is intended to provide general summary information about the CWFP.

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WISCONSIN CLEAN WATER FUND PROGRAM

Low Cost Financing for Wastewater Projects

